

## MEMORIES OF BILL CARY

Joel Seligman\*

More than thirty years have passed since I completed the interviews for the first edition of *The Transformation of Wall Street*. My interview with Bill Cary on October 28th and 29<sup>th</sup>, 1980 was particularly memorable. I met with Bill in Columbia Presbyterian Hospital, where he was being treated. Bill had already written a memoir of his years as chair of the Securities and Exchange Commission, *Politics and the Regulatory Agencies*. Bill met with me to be helpful to my effort to draft a comprehensive history of the SEC.

Only at the end of the interview did I appreciate another aspect of our interview. When we were done talking about the Commission, Bill asked me what I planned to do in life. I had recently begun an academic career. I expressed uncertainty about my long-term plans. Bill spoke about his love of academia, remarking that it “is one place you have full control of what you say and write. There is no other career so intellectually rewarding.” He encouraged me to spend time with Harvey Goldschmid, a young colleague of Bill’s at Columbia Law School. Of all the words of encouragement to continue an academic career, none meant as much to me as Bill’s.

The background to Bill’s period at the SEC was of great consequence to Bill. The Commission had had perhaps the most remarkable initial years of any independent regulatory agency, beginning in 1934 until World War II subordinated virtually all domestic programs.

Bill was deeply influenced by this formative period. He served at the Commission between 1938 and 1940, initially under Chairman William Douglas. It is noteworthy that Douglas swore in Bill as SEC chair.

The Commission that Bill Cary led was strikingly different than the New Deal’s SEC. The Commission was no longer “the sacred cow,” that Judge Learned Hand had mocked in welcoming SEC attorneys during the 1950s. The agency that had grown to 1,723 employees by 1941 had been reduced to 666 employees by 1955.<sup>1</sup> The same Commission that under Douglas had forced a reorganization of the governance of the New York Stock Exchange (“NYSE”), implemented what then was the largest industrial reorganization program in the nation’s history through the Public Utilities Holding Company Act, created our modern systems of corporate disclosure and fraud enforcement, and registered broker-dealers, investment advisers, securities exchanges, and securities associations, by the late 1950s seemed a spent force, a toothless watchdog. There was a vast increase in boiler rooms<sup>2</sup> and fly-by-night promotions.<sup>3</sup> By the time that Cary was sworn in as SEC chair in 1961, there had been a near-complete collapse of self-regulation on the American Stock Exchange, which was widely and accurately characterized as the most serious stock market scandal since Richard Whitney’s 1938 misappropriations at the NYSE.<sup>4</sup>

The close bonds that President Roosevelt had with successive SEC chairs, especially Joseph Kennedy and Bill Douglas, were distant memories. Bill told me that he did not once see President Kennedy on official business and found that Ralph Duggan, the White House aide who

---

\* President, University of Rochester. A version of these remarks was delivered as part of the Columbia Law School Symposium: The Past, Present, and Future of Insider Trading: A 50th Anniversary Re-Examination of *Cady, Roberts* and the Revolution It Began (Nov. 16, 2012).

<sup>1</sup> JOEL SELIGMAN, *THE TRANSFORMATION OF WALL STREET: A HISTORY OF THE SECURITIES AND EXCHANGE COMMISSION AND MODERN CORPORATE FINANCE* 267–68 (3d ed. 2003).

<sup>2</sup> *Id.* at 273.

<sup>3</sup> *Id.* at 277–79.

<sup>4</sup> *Id.* at 281–89.

oversaw the Commission “literally had no free time to talk with us.”<sup>5</sup> Gone too were the days when the Commission could rely on decisive support from congressional leaders such as Sam Rayburn, who was instrumental in the enactment of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utilities Holding Company Act of 1935.<sup>6</sup> The major challenge Cary faced with respect to the Securities Act Amendments of 1964 was persuading House Committee on Interstate and Foreign Commerce Chairman Oren Harris to schedule hearings, which Cary ultimately did by convincing Harris that he was not “an ogre or an excessive bureaucrat.”

---

<sup>5</sup> *Id.* at 292.

<sup>6</sup> *See* SELIGMAN, *supra* note 1, chs. 2–5.